

## Message Text

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17

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-01 PRS-01 ABF-01 /086 W

----- 116585

R 050435Z JAN 76 ZFG

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 3732

INFO AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

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DEPT PASS TREASURY, FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, TC

SUBJ: GULF MONETARY UNION - ONE SMALL STEP

REF: ABU DHABI 1295

1. BEGIN UNCLASSIFIED. UAE CURRENCY BOARD HAS ANNOUNCED THAT EFFECTIVE JANUARY 1, 1976 BONA FIDE TRAVELLERS BETWEEN THE UAE AND BAHRAIN WILL NO LONGER BE REQUIRED TO CHANGE THEIR CURRENCY FOR EXPENDITURES LESS THAN DINARS 500 OR DIRHAMS 5,000. UAE HOTELS AND LOCAL SHOPS WILL BE REQUIRED TO ACCEPT THE BAHRAIN DINAR AT FIXED RATE OF 10 DIRHAMS TO ONE DINAR. CURRENCY BOARD STATES THIS IS "FIRST AND SIMPLE STEP TOWARDS THE ULTIMATE GOAL OF A GULF MONETARY UNION."

2. IMPLICIT IN ANNOUNCEMENT IS FACT THAT MONETARY AGENCY OF BAHRAIN AND UAE CURRENCY BOARD HAVE AGREED TO RIGID EXCHANGE RATE BETWEEN THEIR RESPECTIVE CURRENCIES EVEN THOUGH RATE

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APPLIES TO VERY LIMITED VOLUME OF TRANSACTIONS. SINCE DINAR AND

DIRHAM BOTH PEGGED TO DOLLAR, VARIATIONS AGAINST OTHER MAJOR CURRENCIES FOLLOW SAME PATTERN AND PERCENTAGE CHANGE. WITH EXCELLENT COMMUNICATIONS BETWEEN TWO CENTRAL BANKS, THERE IS LITTLE LIKELIHOOD THAT DINAR/DIRHAM RATE WILL VARY BEYOND RIGID LIMIT.

3. BRINGING QATAR AND KUWAIT INTO ARRANGEMENT SOMEWHAT COMPLICATED. QATAR RIYAL, NOW PEGGED TO SDR, HAS WEAKENED RELATIVE TO DINAR AND DIRHAM. QATAR HAS REQUESTED PERMISSION FROM IMF TO WIDEN TRADING MARGINS TO 7 PERCENT THUS ALLOWING QATAR MONETARY AGENCY TO ALIGN VALUE OF RIYAL WITH DINAR AND DIRHAM. COMMUNICATIONS WITH QATAR NOT SO GOOD HOWEVER AND "FINE TUNING" VALUE OF CURRENCIES NOT SO EASY. ONCE QATAR BROUGHT INTO LINE, KUWAIT SUPPOSEDLY WILL FOLLOW. END UNCLASSIFIED.

4. BEGIN LIMITED OFFICIAL USE. RON SCOTT, DIRECTOR OF CURRENCY BOARD, SAYS THAT DISCUSSIONS AMONG FOUR GULF STATES ON MONETARY UNION HAVE GONE WELL. WITH SMALL STEP RECENTLY TAKEN, IT APPARENT THAT PUSH FOR IMMEDIATE AND COMPLETE MONETARY UNION AS INITIALLY PROPOSED BY KUWAIT HAS BEEN SIDETRACKED IN FAVOR OF SLOWER PACE, EXPANDING BASIC IDEA OF REGIONAL FIXED RATE TO CONSECUTIVELY LARGER VOLUME OF REGIONAL TRANSACTIONS. PERHAPS IT ALSO SIGNIFICANT THAT FIRST STEP TAKEN KEEPS FIXED RATE PEGGED TO DOLLAR RATHER THAN SDR OR KUWAITI DINAR. END LIMITED OFFICIAL USE.

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CURRENCY CONTROLS  
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**TAGS:** EFIN, TC, GULF MONETARY UNION  
**To:** STATE  
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